

CTCAC INCOME CALCULATION EXERCISE

This CTCAC Income Exercise was presented at the 2009 Basic Compliance Workshops throughout the state. It offers insight into how CTCAC calculates income and demonstrates the methods that are used to determine Income Eligibility, which is one of the key requirements for the Low Income Housing Tax Credit Program. ***Please note, this exercise is designed to offer insight into the calculation methods used by CTCAC analysts and is not a CTCAC requirement. Comments from workshop participants recommended CTCAC post our method of calculating income from wages on our website as guidance to the users of the program.***

This exercise calculates Income 3 ways:

1. **Verification of Employment (VOE)** – The VOE submitted via 3rd Party is a basic requirement of income calculation, and a completed VOE or documentation of multiple attempts to obtain a VOE must be in the file. Areas that are left blank, may be clarified with a Telephone Log.*
2. **Year to Date (YTD)** – CTCAC will calculate the potential earnings off of the YTD number on **both** the VOE and most current pay-stub. YTD calculations are determined by taking the total number of days worked in the year and dividing by seven to get the actual number of weeks rounded to 2 decimal places. The YTD number is then divided by the number of weeks to get the average amount earned per week. The average amount earned per week is then multiplied by the number of weeks worked as stated on the VOE. *Please note – If pay-stubs clearly indicate a semi-monthly or monthly pay period is being used, CTCAC will base the YTD calculation off of the period of 24 or 12, whichever is applicable.*
3. **Pay-stubs** – As of June 2004, CTCAC requires 3 months of current and consecutive pay-stubs as secondary income information in addition to the VOE. Using the pay-stubs provided, CTCAC will calculate the averages of all compensation noted on the stubs including regular hours, overtime hours, double-time hours, mileage, shift differential, premium rates, tips, commission, etc. These averages will then be added together to determine the income for the household.*

If there is conflicting information between the VOE and the pay stubs, prior to moving in the household, then there must be 3rd party written documentation from the employer clarifying the discrepancy. Additionally, if any information is to be used to justify a lower amount than what is noted on either the VOE or pay-stubs, it **must by 3rd party verified on company letterhead stating the reason why the lower number is valid – ie. hours being cut, no more authorized overtime, etc.*

Additional Instructions:

The following exercise has 3 parts:

1. VOE
2. Pay-stubs
3. Income Calculation Answer Sheet

This is a 1 person household. They are being moved in during 2008.

The Income Limit for a 1-person household in Sacramento County in 2008 is **\$29,820**.

EMPLOYMENT VERIFICATION

THIS SECTION TO BE COMPLETED BY MANAGEMENT AND EXECUTED BY TENANT

TO: (Name & address of employer) Date: 6/5/08

Happy Place Printing
1122 Main Street
Sacramento, CA 91111

RE: Jane Smith xxxx-xx-3333 101
Applicant/Tenant Name Social Security Number Unit # (if assigned)

I hereby authorize release of my employment information.

Jane Smith 6/05/08
Signature of Applicant/Tenant Date

The individual named directly above is an applicant/tenant of a housing program that requires verification of income. The information provided will remain confidential to satisfaction of that stated purpose only. Your prompt response is crucial and greatly appreciated.

Sally Johnson
Project Owner/Management Agent

CTCAC Gardens
1224 South St
Sacramento, CA 91112
(916) 555-4111

Return Form To:

THIS SECTION TO BE COMPLETED BY EMPLOYER

Employee Name: Jane Smith Job Title: Assistant Manager

Presently Employed: Yes X Date First Employed 7/2005 No Last Day of Employment

Current Wages/Salary: \$ 14.25 (check one)
☐ hourly ☐ weekly ☐ bi-weekly ☐ semi-monthly ☐ monthly ☐ yearly ☐ other

Average # of regular hours per week: 40 Year-to-date earnings: \$ 11688.59 from: 01/01/2008 through: 05/23/2008

Overtime Rate: \$ 21.375 per hour Average # of overtime hours per week: 0

Shift Differential Rate: \$ n/a per hour Average # of shift differential hours per week: 0

Commissions, bonuses, tips, other: \$ n/a (check one)
☐ hourly ☐ weekly ☐ bi-weekly ☐ semi-monthly ☐ monthly ☐ yearly ☐ other

List any anticipated change in the employee's rate of pay within the next 12 months: none; Effective date:

If the employee's work is seasonal or sporadic, please indicate the layoff period(s):

Additional remarks: Jane is an excellent employee

Joe Henderson Joe Henderson 6/13/08
Employer's Signature Employer's Printed Name Date

Happy Place Printing 1122 Main St Sacramento, CA 95111
Employer [Company] Name and Address
(916) 555-4444 (916) 555 - 4445 jhenderson@hpp.com
Phone # Fax # E-mail

NOTE: Section 1001 of Title 18 of the U.S. Code makes it a criminal offense to make willful false statements or misrepresentations to any Department or Agency of the United States as to any matter within its jurisdiction.

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Sacramento, CA 91111

Fictitious Sample

Jane Smith
55 A Street, Apt #4
Sacramento, CA 91110

Employee Paystub	Check number: 13450		Pay Period: 5/17- 5/23/08	
Employee	SSN	Status	Allowance	
Jane Smith	xxx-xx-3333	Single	Fed 00/ CA 00	
Earnings and Wages	Qty.	Rate	Current	YTD Amount
Hourly Wages	40.00	14.25	570.00	
Overtime				
			570.00	11688.59
Taxes			Current	YTD Amount
Federal Withholding				
State Withholding				
Social Security				
Medicare				
CA – SDI				

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Fictitious Sample

Jane Smith
55 A Street, Apt #4
Sacramento, CA 91110

Employee Pystub		Check number: 13427		Pay Period: 5/10 -5/16/08
Employee	SSN	Status	Allowance	
Jane Smith	xxx-xx-3333	Single	Fed 00/ CA 00	
Earnings and Wages	Qty.	Rate	Current	YTD Amount
Hourly Wages	40.00	14.25	570.00	
Overtime	1.00	21.375	21.38	
			591.38	11118.59
Taxes			Current	YTD Amount
Federal Withholding				
State Withholding				
Social Security				
Medicare				
CA – SDI				

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Fictitious Sample

Jane Smith
55 A Street, Apt #4
Sacramento, CA 91110

Employee Paystub Check number: 13415 Pay Period: 5/3 – 5/9/08

Employee	SSN	Status	Allowance
Jane Smith	xxx-xx-3333	Single	Fed 00/ CA 00

Earnings and Wages	Qty.	Rate	Current	YTD Amount
Hourly Wages	37.5	14.25	534.38	
Overtime	2.5	21.375	53.44	
			<hr/> 587.82	10527.21

Taxes	Current	YTD Amount
Federal Withholding		
State Withholding		
Social Security		
Medicare		
CA – SDI		

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Fictitious Sample

Jane Smith
55 A Street, Apt #4
Sacramento, CA 91110

Employee Paystub	Check number: 13397		Pay Period: 4/26 – 5/2/08	
Employee	SSN	Status	Allowance	
Jane Smith	xxx-xx-3333	Single	Fed 00/ CA 00	
Earnings and Wages	Qty.	Rate	Current	YTD Amount
Hourly Wages	39.00	14.25	555.75	
Overtime				
			555.75	9939.39
Taxes			Current	YTD Amount
Federal Withholding				
State Withholding				
Social Security				
Medicare				
CA – SDI				

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Fictitious Sample

Jane Smith
55 A Street, Apt #4
Sacramento, CA 91110

Employee Paystub Check number: 13362 Pay Period: 4/19 – 4/25/08

Employee	SSN	Status	Allowance
Jane Smith	xxx-xx-3333	Single	Fed 00/ CA 00

Earnings and Wages	Qty.	Rate	Current	YTD Amount
Hourly Wages	40.0	14.25	570.00	
Overtime				
			570.00	9383.64

Taxes	Current	YTD Amount
Federal Withholding		
State Withholding		
Social Security		
Medicare		
CA – SDI		

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Fictitious Sample

Jane Smith
55 A Street, Apt #4
Sacramento, CA 91110

Employee Paystub Check number: 13321 Pay Period: 4/12 – 4/18/08

<u>Employee</u>	<u>SSN</u>	<u>Status</u>	<u>Allowance</u>
Jane Smith	xxx-xx-3333	Single	Fed 00/ CA 00

<u>Earnings and Wages</u>	<u>Qty.</u>	<u>Rate</u>	<u>Current</u>	<u>YTD Amount</u>
Hourly Wages	40.00	14.25	570.00	
Overtime	1.25	21.375	26.72	
			<u>596.72</u>	<u>8813.64</u>

<u>Taxes</u>	<u>Current</u>	<u>YTD Amount</u>
Federal Withholding		
State Withholding		
Social Security		
Medicare		
CA – SDI		

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Fictitious Sample

Jane Smith
55 A Street, Apt #4
Sacramento, CA 91110

Employee Paystub		Check number: 13301	Pay Period: 4/5 – 4/11/08	
Employee	SSN	Status	Allowance	
Jane Smith	xxx-xx-3333	Single	Fed 00/ CA 00	
Earnings and Wages	Qty.	Rate	Current	YTD Amount
Hourly Wages	38.00	14.25	541.50	
Overtime	.75	21.375	16.03	
			557.53	8216.92
Taxes			Current	YTD Amount
Federal Withholding				
State Withholding				
Social Security				
Medicare				
CA – SDI				

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Fictitious Sample

Jane Smith
55 A Street, Apt #4
Sacramento, CA 91110

Employee Paystub Check number: 13283 Pay Period: 3/29 – 4/4/08

Employee	SSN	Status	Allowance
Jane Smith	xxx-xx-3333	Single	Fed 00/ CA 00

Earnings and Wages	Qty.	Rate	Current	YTD Amount
Hourly Wages	38.5	14.25	548.63	
Overtime	1.0	21.375	21.38	
			570.01	7659.62

Taxes	Current	YTD Amount
Federal Withholding		
State Withholding		
Social Security		
Medicare		
CA – SDI		

Income Calculations:

2008 Income Limit for Sacramento County for a 1 person household: \$29,820

Verification of Employment:

$\$14.25 \text{ an hour} \times 40 \text{ hours} \times 52 \text{ weeks} = \$29,640$

YTD Calculations:

Pay period ending 5/23/08 = 144 days (*leap year*)

$144 \text{ days} / 7 \text{ days} = 20.57 \text{ weeks}$

$\$11,688.59 / 20.57 \text{ weeks} = \568.23

$\$568.23 \times 52 \text{ weeks} = \$29,547.96$

Paystubs:

Regular:

$40 + 40 + 37.5 + 39 + 40 + 40 + 38 + 38.5 = 313$

$313 / 8 \text{ paystubs} = 39.125 \text{ average hours per pay period}$

$\$14.25 \times 39.125 \text{ hours} \times 52 \text{ weeks} = \$28,991.63$

Overtime:

$1 + 2.5 + 1.25 + .75 + 1 = 6.5$

$6.5 / 8 \text{ paystubs} = .8125 \text{ average hours of OT per pay period}$

$\$21.375 \times .8125 \text{ hours} \times 52 \text{ weeks} = \903.09

Total Income:

$\$28,991.63 + \$903.09 = \$29,894.72$

Is this Household Income Eligible?